



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
BOARD OF CHIROPRACTIC EXAMINERS
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.04**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.04

FINANCIAL AUDIT REPORT
BOARD OF CHIROPRACTIC EXAMINERS
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.04

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's financial audit report of the Board of
Chiropractic Examiners, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas;
Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

DMH

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	2
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET	
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP	3
STATEMENT OF FINANCING SOURCES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL	
SPECIAL REVENUE FUND	4
NOTES TO THE FINANCIAL STATEMENTS	5
SUPPLEMENTAL INFORMATION	8
OTHER COMMENTS	10

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Board of Chiropractic Examiners. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Board of Chiropractic Examiners was established by the Chiropractic Act of California, an initiative measure passed by the voters in 1922. The act gave the board the primary responsibility of assuring the consumers of California that providers of chiropractic services are adequately trained and that they have met the minimum standards of performance for each treatment. Through licensing, continuing education, and disciplinary processes, the board ensures that recognized standards of treatment and practice are maintained by licensees; approves and regulates eleven chiropractic schools in the United States and Canada; reviews complaints and investigates possible violations of the Chiropractic Act; and polices unlicensed activity.

The Board of Chiropractic Examiners is supported by license and renewal fees, penalties, fines, and income from surplus money investments.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Board of Chiropractic Examiners as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Board of Chiropractic Examiners at June 30, 1979 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: March 4, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

BOARD OF CHIROPRACTIC EXAMINERS
COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
<u>ASSETS</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>June 30, 1979</u>
Cash	\$ 11,905	\$ --	\$ 11,905
Deposit in Surplus Money			
Investment Fund	162,000	--	162,000
Due from Surplus Money			
Investment Fund	7,808	--	7,808
Prepayments to other funds	13,770	--	13,770
Expense advances to employees	260	--	260
Equipment	--	3,901	3,901
Total Assets	<u>\$195,743</u>	<u>\$3,901</u>	<u>\$199,644</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	<u>\$ 49,140</u>	<u>\$ --</u>	<u>\$ 49,140</u>
Encumbrances Outstanding	<u>2,078</u>	<u>--</u>	<u>2,078</u>
Fund Equity:			
Investment in general fixed assets (Note 3)	--	3,901	3,901
Fund balance	<u>144,525</u>	<u>--</u>	<u>144,525</u>
Total Fund Equity	<u>144,525</u>	<u>3,901</u>	<u>148,426</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$195,743</u>	<u>\$3,901</u>	<u>\$199,644</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF CHIROPRACTIC EXAMINERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Note 2)			
Revenues	\$315,584	\$358,524	\$42,940
Miscellaneous adjustments (Note 4)	<u> --</u>	<u> 5,689</u>	<u> 5,689</u>
Total Sources	<u> 315,584</u>	<u> 364,213</u>	<u> 48,629</u>
 Expenditures: (Note 2)			
Support expenditures	<u> 315,584</u>	<u> 284,993</u>	<u> 30,591</u>
Excess of Sources over (under) Expenditures	<u>\$ --</u>	<u> 79,220</u>	<u> \$79,220</u>
 Fund Balance - July 1		<u> 65,305</u>	
Fund Balance - June 30		<u><u> \$144,525</u></u>	

The notes to the financial statements are an integral part of this statement.

BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Board of Chiropractic Examiners. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the Board of Chiropractic Examiners is a Special Revenue Fund--State Board of Chiropractic Examiner's Fund--which accounts for specific revenues and operating expenditures earmarked for the registration and regulation of certified Doctors of Chiropractic.

The Special Revenue Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, including revenues, transfers, and reimbursements is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against the fund balance for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the board are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the board and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$8,775.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, except for those acquired under an installment purchase contract (as explained in Note 3), are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$2,637 during the fiscal year.

2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$1,042 at June 30, 1979; the balance represents unpaid amounts on installment purchase contracts that are payable over the next 19 months in equal monthly installments of \$58.61. The monthly installments include interest at 8.0 percent on the unpaid principal.

4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

SUPPLEMENTAL INFORMATION

The annual legislative budget for revenues and support expenditures of the Board of Chiropractic Examiners is in total only. The following schedule shows the actual revenues and expenditures for the period as kept by the board for management purposes.

BOARD OF CHIROPRACTIC EXAMINERS
SCHEDULE OF APPROPRIATIONS AND SUPPORT EXPENDITURES
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Fees and licenses	\$349,345
Income from the Surplus Money	
Investment Fund	9,179
Miscellaneous adjustments	<u>5,689</u>
Total Revenues	<u><u>\$364,213</u></u>
 Support Expenditures:	
Personal services	\$ 73,689
Operating expenses and equipment	<u>211,304</u>
Total Support Expenditures	<u><u>\$284,993</u></u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the board and at the Department of General Services (which maintains the board's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the board's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the board in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The board generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps